Valmet-Rauma designs, develops and produces systems, automation solutions, machinery and equipment for process industries. The most important customer industries are the pulp and paper, construction and civil engineering, and energy and chemical industries.

- **Valmet-Rauma's net sales for January – June totaled EUR 1,583 million (Jan. – June 1998: EUR 1,913 million).**
- **The operating profit was EUR 1 million (EUR 125 million) and income before extraordinary items and income taxes was EUR 5 million (EUR 135 million).**
- **New orders worth EUR 1,705 million (EUR 1,735 million) were received and the order backlog rose to EUR 1,547 million (EUR 1,517 million).**
- **During the period under review, measures to improve the cost-effectiveness of business operations were initiated and partly implemented, on the basis of the merger plan.**

Markets
Valmet-Rauma's market situation remained poor during the period January - June.

During January – June, demand for the products of the pulp and paper industry remained weak, resulting in low paper mill capacity utilization rates on average. Capacity utilization rates in pulp mills, however, improved during the second quarter.

Demand for Valmet-Rauma products was slack, a slump in investments especially limiting demand for the products of Fiber and Paper Technology, and Automation and Control Technology. The demand for replacement investments, process rebuilds and spare parts and maintenance services remained reasonably good.

Demand for forest machines remained good in Europe, but in the most important North American markets, the southern states of the USA and in the northwest of North America, demand for forest machines was weak.

Demand continued brisk in Europe and North America for screening and crushing equipment supplied to the construction and civil engineering industry. The demand for mine crushers, however, remained poor on all markets.

The low level of investments by the energy and chemical industries continued to restrict the demand for Automation and Control Technology products during the period under review.

Orders received and order backlog
During the first six months of the year, slightly fewer new orders were received than during the corresponding period last year, their value totaling EUR 1,705 million (EUR 1,735 million in January-June 1998). The orders received by Fiber and Paper Technology grew by 4 percent compared with the same period last year. Orders received by Automation and Control Technology remained at the same level as the corresponding period last year. The new orders received by Machinery decreased by 11 percent compared with the same period last year, mainly due to a reduction in orders for forest machines. At the end of June, the order backlog of Valmet-Rauma was higher than the order backlog at the end of 1998 and totaled EUR 1,547 million on (EUR 1,342 million on December 31, 1998).

Net sales
Valmet-Rauma's net sales for January - June were EUR 1,583 million (EUR 1,913 million), of which Fiber and Paper Technology accounted for 49 percent, Automation and Control Technology for 17 percent and Machinery for 34 percent.

Net sales fell significantly by 17 percent on the corresponding period last year, mainly due to significant decreases in the volume of deliveries of fiber and paper technology products and forest machines.

In January – June, 54 percent of the net sales were from Europe, 28 percent from North America, 9 percent from Asia-Pacific, 5 percent from South America and the remaining 4 percent from the rest of the world.

Profitability
The operating profit for January - June was EUR 1 million (EUR 125 million). Profitability was poorer than for the corresponding period last year in nearly all business areas. Profit development was particularly weak in the Fiber and Paper Technology business area, in which Converting was still clearly operating at a loss.

Income before extraordinary items and income taxes was EUR 5 million (EUR 135 million). Financial income and expenses include received dividends of EUR 8 million and foreign exchange gains of EUR 8 million. Net income for the period, excluding extraordinary items, was EUR 3 million (EUR 99 million). Earnings per share were EUR 0.02 (EUR 0.72). The return on capital employed (ROCE) was 2.2 percent (18.4%) and the return on equity (ROE) was 0.5 percent (17.6%).

Financing
Valmet-Rauma's net cash provided by operating activities was EUR 74 million negative (EUR 6 million negative). During the period January – June, the Group's net working capital remained high and increased mainly due to seasonal factors. No substantial changes have taken place in the first half of the year in the delayed deliveries to the APRIL group in Indonesia. Valmet-Rauma's net interest-bearing liabilities totaled EUR 451 million (EUR 275 million). Gearing, i.e. the ratio of net liabilities to shareholders' equity, was 38.2 percent (23.4%). The equity to assets ratio was 42 percent (42.7%).

Taxes
Taxes corresponding to the income for the period under review have been entered as taxes.

Investments and acquisitions
Gross investments, including acquisitions, amounted to EUR 78 million (EUR 68 million). During the period, the Northern

Irish company Masterskreen International, specializing in the manufacture of mobile screens, was acquired to complement the Crushing Systems business group. The Waratah Group, a New Zealand manufacturer of heavy harvester heads, and Siiro Equipment, a US manufacturer of cut-off machines were acquired for the Forest Machines Group, in accordance with the letters of intent signed at the start of the year. At the beginning of July, an agreement was signed with the German company Eduard Küsters Maschinenfabrik GmbH & Co. KG, concerning the acquisition of its fiberboard press division, for the Fiber and Paper Technology business area.

Research and development

Valmet-Rauma's research and development expenditure amounted to EUR 68 million (EUR 59 million), which was 4.3 percent of net sales.

Personnel

Valmet-Rauma had 23,317 employees (24,043) at the end of the period.

Shares

During the period under review, the value of Rauma Corporation shares traded on the Helsinki Exchanges was EUR 143.2 million. The share price on June 30, 1999 was EUR 11.50. The highest quotation was EUR 13.74 and the lowest EUR 9. The company's market capitalization on June 30, 1999 was EUR 609 million. Trading on the New York Stock Exchange amounted to USD 1.1 million. The price of an ADS on June 30, 1999 was USD 11,25. During the period, the highest price was USD 15 and the lowest USD 10.5. One ADS corresponded to one share.

During the period under review, the value of Valmet Corporation shares traded on the Helsinki Exchanges was EUR 154.2 million. The share price on June 30, 1999 was EUR 11. The highest quotation was EUR 12.9 and the lowest EUR 8.5. The company's market capitalization on June 30, 1999 was EUR 859.1 million. Trading on the New York Stock Exchange amounted to USD 2.7 million. The price of an ADS on June 30, 1999 was USD 22.25. During the period, the highest price was USD 26.88 and the lowest USD 20. One ADS corresponded to two shares.

The amount of Valmet-Rauma Corporation's shares, registered on July 1, 1999, is 135,817, 275. The amount of the share capital is FIM 1,358,172,750 (EUR 228,428,258.60).

The quotation of Valmet-Rauma shares began on July 1, 1999 on the main list of the Helsinki Exchanges (MEO1V.HEX) and on the New York Stock Exchange (MX.NYSE). Valmet-Rauma has a single series of shares. On the New York Stock Exchange, one Valmet-Rauma ADS corresponds to one share.

Year 2000

The Year 2000 projects of Valmet and Rauma were re-arranged as a single project group during the period under review. So far, the Valmet-Rauma systems, products and other services which are not Y2K compliant have been defined, implementation of the necessary changes being continued as planned. Information has been requested from goods suppliers, sub-contractors and other business partners concerning the identification and solving of information system problems related to the year 2000. Group contingency and standby plans have been prepared and will be updated during the remainder of the year. The most important alterations and updates will be made during August 1999. The Y2K project is not expected to cause significant costs to Valmet-Rauma, nor is it expected that it will have any substantial detrimental effect on Valmet-Rauma's business or on income from operations. Of the estimated total cost of EUR 12.5 million, about EUR 5.5 million had been recorded by the end of 1998, and about EUR 4 million in January - June 1999.

Progress of Valmet-Rauma merger and adaption measures

The merger of Rauma and Valmet was proceeding on schedule. Extraordinary shareholders' meetings of the companies, held on January 31, 1999, approved the merger. The European Commission stated on February 8, 1999 that it would not oppose to the planned merger of Rauma and Valmet. Similar decisions had already been made earlier by the Bureau of Competition of the Federal Trade Commission, USA and the Bureau of Competition Policy, Canada. On June 18, 1999, National Board of Patents and Registration of Finland gave permission for the implementation of the merger, which took effect on July 1, 1999.

On May 18, 1999, the boards of Rauma and Valmet proposed Metso as the new name of Valmet-Rauma. The amendment of the articles of association required by the new name needs approval by an extraordinary shareholders' meeting, to be held on August 18, 1999, as well as registration, before it can officially be adopted.

On July 1, 1999, the operations of the Fiber and Paper Technology Business Area were incorporated as a separate subsidiary, Valmet Corporation, wholly owned by Valmet-Rauma's parent company. The business operations of the business area in question, as well as the related assets, debts and liabilities, were transferred to the new company from the parent company Valmet-Rauma.

The integration of the businesses of Rauma and Valmet has progressed as planned. Overlapping areas of corporate administration have been dismantled and operations have been combined. A start has also been made on dismantling overlaps in distribution networks, administration and operations in the business areas. The need to eliminate sales company overlaps affects 32 sales offices, 12 of which will be closed in the Fiber and Paper Technology business area and 20 in the Automation and Control Technology area. Dismantling of overlaps in the distribution network is scheduled for completion by the end of this year.

Due to changes required by the market situation, weak profitability development and the structure of business activities, Valmet-Rauma initiated and implemented adaptation measures. As a result of these and of measures arising from the merger, Valmet-Rauma intends to reduce its personnel by an estimated 2000 employees during 1999 and 2000, which amounts to nine percent of total Group personnel. The reductions in personnel are aimed to alter the cost structure and thus preserve and improve competitiveness. One-third of the reduction is due to the merger and one-third to adaptation to the market situation. The remaining third relates to structural change, mainly in the Fiber and Paper Technology business area.

Fiber and Paper Technology will account for about one-half of the reductions, with Machinery and Corporate Headquarters accounting for about one-third. The remainder of the reductions will be in Automation and Control Technology operations. An estimated half of the jobs affected are in the Finnish units. The reductions will be implemented as far as possible through natural departures and retirement arrangements, but a considerable number of redundancies will also be involved. The negotiations required by co-operation legislation on the reductions will take place in the individual units during the summer and autumn.

It is estimated that annual savings of more than EUR 100 million will accrue from the synergy benefits of the merger, adaptation to the market situation and structural changes. Of that sum, EUR 70 will, as stated previously, be due to the merger, the remainder being due to other changes in the cost structure. The greatest part of the synergy benefits will be realized in the Fiber and Paper Technology area. The synergy benefits and the cost savings are estimated to be achieved in full in 2001. The one-off costs of the merger, totaling about EUR 25 million, and the one-off costs of adaptation to the market situation and structural changes will be entered as expenses during the second half of the year.

FIBER AND PAPER TECHNOLOGY

The Fiber and Paper Technology business area (which operates under the name Valmet) develops, designs and manufactures processes, machinery and equipment for the pulp, paper, panelboard and packaging industries. The business area covers products from wood handling equipment to roll wrapping and panelboard manufacture, and including converting machines for paper and packaging materials. The business area is divided into paper technology, fiber technology, and service business groups. Together with Automation and Control Technology, it offers customers unique process solutions. Service and spare parts form an essential part of operations.

The net sales of the business area decreased during the period January – June by 24 percent compared to the same period in the previous year and totaled EUR 784 million (EUR 1,034 million). The decline in net sales resulted from an extremely weak market situation that has continued for a long time and in particular from a considerable decrease in the number of large project orders received during 1998. Net sales decreased in both fiber technology and paper technology.

The operating loss for the period was EUR 14.9 million (operating profit EUR 62.4 million). Profitability was further reduced in all sectors except Service by a significant reduction in the number of deliveries. Converting continued to operate at a clear loss and the profitability of board machines continued to be poor. In addition, the profitability of paper machines diminished considerably during the period.

The few new investment projects in the pulp and paper industry and the prolonged recovery of the important Asian market continued to keep demand weak for products of the business area. Continuing integration in the North American and European forest industries has also restrained the willingness of the sector to make investments. The capacity utilization rates of paper mills were low during the period under review, while there was no improvement in the prices of paper grades. The price of market pulp on the other hand began to rise slightly at the end of the second quarter.

New orders received grew by 4 percent compared with the same period last year and totaled EUR 867 million (EUR 830 million). Orders increased for both fiber and paper technology products. During the period January – June, orders were received for five tissue machines, two paper machines and one board machine. Other orders received during the period were paper, board and fiber line rebuilds, paper finishing machinery and air systems. Demand for converting machinery continued to be weak. Orders obtained from the North American market continued to emphasize machine rebuilds. On the European market, demand remained reasonable. Unlike other business cycles, the demand for tissue paper machines remained good. The order backlog of the business area grew by 13 percent over the end of the previous year to reach EUR 1,144 million at the end of June (EUR 1,009 million on December 31, 1998).

There continued to be a brisk demand for maintenance services, particularly in Europe, with deliveries increasing over the same period last year. In maintenance services, the combining of overlapping service centers and reorganization of operations continued. Scandinavian Mill Service Oy, a joint venture established with the YIT Group, commenced its operations as planned.

At the beginning of July, an agreement was signed with the German company Eduard Küsters Maschinenfabrik GmbH & Co. KG, concerning the acquisition of its fiberboard press division.

Due to weak demand, stiff price competition and the need for structural change in business operations, costs were cut in the business areas. A start was also made on dismantling overlaps in operations arising from the merger. The combining of sales offices will reduce the number of offices by 12. The total need to reduce personnel has been estimated at more than 1,000 employees, mostly due to operational adaptations and structural changes.

The negotiations required by co-operation legislation were started in order to remove overlaps arising from the merger. In Karhula and Pori the negotiations concern the transfer of pulp drying business together with other pulp business in Pori. Negotiations at Tampere and Valkeakoski concern concentrating stock preparation business in Valkeakoski. Arrangements to combine sales offices and service operations are in progress worldwide. At the same time, planning and joint negotiations are under way in several other units, with the aim of improving cost effectiveness and adapting to the market situation. Negotiations have been started on concentrating board machine operations in Jyväskylä and Karlstad and closing the Tampere unit and the Inkeroinen pilot paper machine. In Karhula, negotiations concern transferring production related to new paper machines to Jyväskylä, in order for Karhula become mainly a service unit. In addition, negotiations are taking place on improving the cost effectiveness of paper machine operations in Jyväskylä, on combining the Nastola and Loviisa units and on transferring the Växjö and Stockholm offices to Sundsvall. Most of the personnel reductions and other adaptation measures will be carried out by the end of the year.

AUTOMATION AND CONTROL TECHNOLOGY

The Automation and Control Technology business area (Neles Automation) develops, designs and delivers automation and field equipment solutions for the process industry. The most important customers are the pulp and paper, and other process and energy industries, i.e. mainly the power production, oil refining, petrochemical and chemical industries. The business area comprises five divisions: Field Controls supplies valves and measurement devices for the field control and measurement of processes. Paper Automation supplies automation and information systems for paper production. Control Systems supplies automation and information systems for the pulp, energy and other process industries. Sage Systems supplies remote control (SCADA) systems for oil, gas and electricity distribution, while Jamesbury supplies automated and manual valves.

Net sales during January – June remained at the same level as during the corresponding period last year, totaling EUR 279 million (EUR 281 million). Deliveries of automation systems and remote control systems increased, but deliveries of field equipment, i.e. control valves and process measurement systems, remained at a lower level than in the same period last year. The operating profit for the period January – June remained at nearly the same level as for the same period last year, i.e. EUR 5.4 million (EUR 5.2 million).

During the period January – June, the market situation remained at the same undemanding level as at the end of last year. A lack of new investments in the pulp and paper industries limited the growth of demand for automation and control technology products. The energy and chemical industries also postponed investments. Demand for automation systems was good in North America, whereas most of the new orders for field equipment came from Europe. Asian demand remained slack.

The value of new orders received was almost the same as during the corresponding period a year ago and totaled EUR 294 million (EUR 299 million). The orders continued to be mainly for automation systems. Demand for remote control systems remained brisk and a greater number of orders were received than in the same period last year. Demand for field equipment was slacker than during January – June last year. The order backlog at the end of June of EUR 219 million (EUR 192 million on December 31, 1998) represented an increase of 14 percent over the situation at the end of the year.

Measures to bring business operations in line with demand were commenced in the business area, as a result of the market situation and poor profit performance. The dismantling of overlaps arising from the merger was also started. In Automation and Control Technology, it is estimated that there is a need to reduce personnel by 350, with about half being due to the merger. The combining of sales offices will mean that about 20 sales offices will be closed in countries in which Automation and Control Technology has had several outlets. The final decisions on personnel reductions will be made, according to the plans announced earlier, during the remaining months of the year.

MACHINERY

The Machinery business area is divided into four groups: forest machines (Timberjack), crushing systems (Nordberg), machine and component manufacturing (Metso) and car manufacturing (Valmet Automotive). Timberjack is the world's leading manufacturer of forest machines, which are used for timber harvesting, terrain transport and log loading. Nordberg is also a leading manufacturer in its own sector, specializing in the crushing, grinding and screening of rock and similar materials. Machine and component manufacturing concentrates on the manufacture of mechanical and hydraulic power transmission equipment, as well as manufacturing and expert services for machine building. Valmet Automotive is a contract manufacturer of specialty cars.

The net sales of the forest machines group dropped by 26 percent to EUR 209 million (EUR 282 million). The decrease in net sales was the result of a rapid drop in demand and a reduction in deliveries, especially on North American markets. The operating profit was EUR 8.5 million (EUR 25.4 million). New orders worth EUR 214 million (EUR 280 million) were received for forest machines, which is 24 percent less than during January – June last year. The capacity utilization rate of the forest machines group remained extremely low in North

America, where measures were also taken to adapt capacity and cut costs. During the period, capacity utilization rate rose to a good level at the European plants as deliveries to Russia and the Pacific area increased. The order backlog increased by 60 percent on the end of the year, standing at EUR 72 million at the end of June (EUR 45 million on December 31, 1998). The letters of intent signed in the spring of 1999 to acquire the Waratah Group in New Zealand and Siiro Equipment in the USA were implemented. Waratah was formed into a new forestry attachment division, the operation of which began as planned.

Rock-crushing operations net sales rose slightly to reach EUR 237 million (EUR 232 million). The operating profit was EUR 10 million (EUR 16.5 million). The decline in the operating profit was due to the small number of higher-margin mining deliveries and one-off costs relating to structural changes. The value of new crusher orders was down 5 percent on January – June last year and totaled EUR 237 million were received (EUR 250 million). Demand for screening and crushing equipment for the construction and civil engineering industries remained brisk in Europe and North America. In the traditional mining areas, demand remained slack, due to reduced demand and prices of the most important minerals. In January – June, however, Nordberg received some mine orders in new market areas such as India, Tanzania and Mexico. At the end of June, the order backlog was at level of the end of the year, i.e. EUR 90 million (EUR 92 million on December 31, 1998). During the period under review, the Northern Irish company Masterskreen International, which specializes in the manufacture of mobile screens, was acquired. Measures to improve profitability are implemented in several units in Finland, South Africa, Brazil, Asia and North America. As a result, the personnel will be reduced by more than 200 during the present year.

Net sales in machine and component manufacturing was 13 percent more than during the corresponding period last year and stood at EUR 53 million (EUR 47 million). The increase was due to a growth in deliveries of wind turbine gears and powder-metallurgy components. New orders worth EUR 52 million (EUR 51 million) were recorded, an increase of 2 percent over last year. There was an increase in particular in orders for wind turbine gears, hydraulic motors and powder-metallurgy components. Engineering works manufacturing orders dropped considerably, however. Valmet-Rauma's internal deliveries accounted for one-third of the group's net sales.

Net sales of car manufacturing dropped by 13 percent to EUR 58 million (EUR 67 million). The reduction in net sales from the level of the same period last year was due to the fact that during the corresponding period of 1998 certain discontinued assembly contracts were entered as income. In January – June, production was 18 371 cars (17 392), most of which were convertibles. The profitability of operations continued to be good during January – June. During the spring, manufacturing commenced of a new Saab high-performance special variant, the Saab 9-3 Viggen.

Outlook for the near future

The amount of new orders received by Valmet-Rauma during January – June was smaller than in the same period last year. However, due to the low level of deliveries at the beginning of the year, the order backlog increased slightly over that on December 31. It is not expected that the market situation will significantly improve in the near future.

Demand in the pulp and paper industry has continued to be slack and there is little demand particularly for large projects. It is estimated that the recession in investments will continue to limit the demand for the products of the Fiber and Paper Technology and Automation and Control Technology in the second half of 1999, though it is expected that there will continue to be a reasonably good demand for replacement investments, rebuilds, and spare-parts and service.

It is reckoned that European demand for forest machines will continue to be good. The poor demand for forest machines in North America is expected to continue up to the last quarter of the year.

The readiness of the construction and civil engineering industries to invest is estimated to continue to be good in Europe and North America in the second half of the year as well, which will maintain an even demand for screening and crusher products. Demand on Southeast Asian and South American markets is not expected to improve, nor are significant changes expected in the near future in the investments of the mining industry.

No significant changes are expected in the near future in the investment demand in the energy and chemical industries, which it is estimated, will continue to restrict demand for Automation and Control Technology products also in the second half of 1999.

It is estimated that Valmet-Rauma's result for 1999 will be clearly weaker than last year's and that income before extraordinary items and income taxes will be less than half of last year's level. After the deduction of one-off expenses required to achieve the synergy benefits of the merger and of those relating to the planned structural change and the adaptation of operations, it is estimated that the income before extraordinary items and income taxes will remain around zero level.

August 1999

Board of Directors

(The interim review is unaudited)

PRO FORMA COMBINED INCOME STATEMENT

(Millions)	**4-6/99 EUR**	4-6/98 EUR	**1-6/99 EUR**	1-6/98 EUR	1-12/98 EUR
Net Sales	**852**	1,008	**1,583**	1,913	3,695
Cost of goods sold	**(633)**	(729)	**(1,188)**	(1,397)	(2,696)
Gross profit	**219**	279	**395**	516	999
Other operating expenses	**(209)**	(199)	**(394)**	(391)	(753)
Operating profit	**10**	80	**1**	125	246
Financial income and expenses	**(4)**	6	**2**	8	2
Share of profits of associated companies	**2**	2	**2**	2	3
Income before extraordinary items and income taxes	**8**	88	**5**	135	251
Extraordinary income and expenses	**0**	0	**4**	0	(2)
Income before taxes	**8**	88	**9**	135	249
Income taxes	**(2)**	(22)	**(2)**	(35)	(63)
Minority interests	**1**	0	**0**	(1)	(2)
Net income	**7**	66	**7**	99	184

PRO FORMA COMBINED BALANCE SHEET

(Millions)	**June 30,99 EUR**	June 30,98 EUR	Dec 31,98 EUR
Total fixed assets and other long-term assets			
Intangible assets	**250**	239	224
Tangible fixed assets	**643**	639	635
Other long-term assets	**182**	208	194
Unfunded pensions	**0**	15	12
Current assets			
Inventories	**448**	481	407
Receivables	**1,252**	1,023	1,025
Cash and short-term investments	**206**	274	301
Total assets	**2,981**	2,879	2,798
Share capital	**228**	228	228
Other shareholders' equity	**944**	943	978
Minority interests	**9**	8	10
Long-term liabilities	**506**	471	477
Current liabilities	**1,294**	1,229	1,105
Total shareholders'equity and liabilities	**2,981**	2,879	2,798
Net interest-bearing liabilities			
Long-term interest-bearing liabilities	**464**	389	412
Short-term interest-bearing liabilities	**297**	217	161
Cash and cash equivalents	**(206)**	(273)	(301)
Other interest-bearing assets	**(104)**	(58)	(94)
Total	**451**	275	178

PRO FORMA COMBINED STATEMENTS OF CASH FLOWS

(Millions)	**4-6/99 EUR**	4-6/98 EUR	**1-6/99 EUR**	1-6/98 EUR	1-12/98 EUR
Cash flows from operating activities:					
Net income	**7**	66	**7**	99	184
Adjustments to reconcile net income to net cash provided by operating activities					
Depreciation and amortization	**31**	35	**65**	68	131
(Gain) loss on securities	**0**	(9)	**0**	(9)	(9)
Foreign exchange (gains) losses	**0**	(10)	**19**	(4)	(16)
Other	**5**	(1)	**(8)**	2	7
Change in net working capital	**(69)**	(130)	**(157)**	(162)	(202)
Net cash provided by operating activities	**(26)**	(49)	**(74)**	(6)	95
Cash flows from investing activities:					
Capital expenditures on property and equipment	**(25)**	(26)	**(48)**	(52)	(133)
Proceeds from sale of property and equipment	**2**	11	**5**	16	28
Business acquisitions, net of cash acquired	**(17)**	(1)	**(30)**	(16)	(24)
Proceeds from sale of subsidiaries and associated companies	**1**	6	**1**	6	10
Proceeds from sale of shares in listed companies	**0**	21	**0**	25	40
Other	**(1)**	4	**(1)**	3	0
Net cash used by investing activities	**(40)**	15	**(73)**	(18)	(79)
Cash flows from financing activities:					
Dividends paid	**(80)**	(74)	**(80)**	(74)	(74)
Hedging of net investment in foreign subsidiaries	**0**	(1)	**4**	(1)	(1)
Net funding	**106**	13	**122**	62	55
Other	**(8)**	(1)	**(6)**	(2)	(1)
Net cash provided (used) by financing activities	**18**	(63)	**40**	(15)	(21)
Effect of changes in exchange rates and market values of short-term investments	**4**	(5)	**12**	(2)	(9)
Net increase (decrease) in cash and short-term investments	**(44)**	(102)	**(95)**	(41)	(14)
Cash and short-term investments at beginning of year	**250**	376	**301**	315	315
Cash and short-term investments at end of period	**206**	274	**206**	274	301

KEY RATIOS

	June 30,99	June 30,98	Dec 31,98
Earnings/share, EUR	**0.02**	0.72	1.37
Equity/share, EUR	**8.63**	8.62	8.88
Return on equity (ROE), %	**0.5**	17.6	16.1
Return on capital employed (ROCE), %	**2.2**	18.4	16.5
Equity to assets ratio, %	**42.0**	42.7	45.4
Gearing, %	**38.2**	23.4	14.6
Average number of shares (thousands)	**135,826**	135,826	135,826

ASSETS PLEDGED AND CONTINGENT LIABILITIES

(Millions)	**June 30,99 EUR**	Dec 31,98 EUR
Collateral on corporate debt	**2**	6
Other pledges and contingencies	**15**	15
Guarantees on behalf of associated companies	**0**	1
Guarantees on behalf of others	**4**	6
Leasing commitments	**116**	123

FINANCIAL INSTRUMENTS, CONTRACT AMOUNTS

(Millions)	**June 30,99 EUR**	Dec 31,98 EUR
Forward exchange rate contracts	**704**	1,256
Interest rate swaps	**112**	129
Interest rate and currency swaps	**50**	50
Currency swaps	**219**	194
Option agreements	**39**	34

EXCHANGE RATES USED

		1-6/1999	1-6/1998	1-12/1998	**June 30,99**	June 30,98	Dec 31,98
USD	(US dollar)	**1.0864**	1.0850	1.1126	**1.0328**	1.0824	1.1667
SEK	(Swedish krona)	**8.9071**	8.5797	8.8347	**8.7470**	8.6295	9.4874
GBP	(Pound sterling)	**0.6718**	0.6580	0.6719	**0.6563**	0.6504	0.7055
CAD	(Canadian dollar)	**1.6212**	1.5601	1.6461	**1.5262**	1.5893	1.8061

NET SALES BY BUSINESS AREA

(Millions)	**4-6/99 EUR**	4-6/98 EUR	**1-6/99 EUR**	1-6/98 EUR	7/98 - 6/99 EUR	1-12/98 EUR
Fiber and Paper Technology	**422**	547	**784**	1,034	1,699	1,949
Automation and Control Technology	**156**	161	**279**	281	596	597
Machinery	**297**	320	**557**	628	1,140	1,211
Intra-group net sales	**(23)**	(20)	**(37)**	(30)	(69)	(62)
Valmet-Rauma total	**852**	1,008	**1,583**	1,913	3,366	3,695

OPERATING PROFIT BY BUSINESS AREA

(Millions)	**4-6/99 EUR**	4-6/98 EUR	**1-6/99 EUR**	1-6/98 EUR	7/98 - 6/99 EUR	1-12/98 EUR
Fiber and Paper Technology	**(6.8)**	31.6	**(14.9)**	62.4	34.2	111.5
Automation and Control Technology	**7.7**	10.0	**5.4**	5.2	37.7	37.5
Machinery	**18.4**	39.4	**29.0**	61.9	75.2	108.1
Corporate overhead and other	**(8.5)**	(0.6)	**(18.1)**	(5)	(22.9)	(11.1)
Valmet-Rauma total	**10.8**	80.4	**1.4**	124.5	124.2	246.0

ORDERS RECEIVED BY BUSINESS AREA

(Millions)	**4-6/99 EUR**	4-6/98 EUR	**1-6/99 EUR**	1-6/98 EUR	7/98 - 6/99 EUR	1-12/98 EUR
Fiber and Paper Technology	**489**	474	**867**	830	1,755	1,718
Automation and Control Technology	**137**	155	**294**	299	583	588
Machinery	**279**	319	**579**	648	1,101	1,170
Intra-group orders received	**(14)**	(18)	**(35)**	(42)	(70)	(77)
Valmet-Rauma total	**891**	930	**1,705**	1,735	3,369	3,399

PERSONNEL BY BUSINESS AREA

	June 30,99	June 30,98	Dec 31,98
Fiber and Paper Technology	**11,060**	11,589	10,807
Automation and Control Technology	**4,548**	4,610	4,440
Machinery	**7,474**	7,596	7,535
Other	**235**	248	282
Valmet-Rauma total	**23,317**	24,043	23,064

Publication of the next interim review

The interim review for the period January 1 - September 30, 1999 will be published on November 10, 1999

PRO FORMA QUARTERLY INFORMATION

NET SALES BY BUSINESS AREA

(Millions)	4-6/98 EUR	7-9/98 EUR	10-12/98 EUR	1-3/99 EUR	4-6/99 EUR
Fiber and Paper Technology	547	426	489	362	422
Automation and Control Technology	161	140	177	123	156
Machinery	320	266	317	260	297
Intra-group net sales	(20)	(16)	(16)	(14)	(23)
Valmet-Rauma total	1,008	816	967	731	852

OPERATING PROFIT BY BUSINESS AREA

(Millions)	4-6/98 EUR	7-9/98 EUR	10-12/98 EUR	1-3/99 EUR	4-6/99 EUR
Fiber and Paper Technology	31.6	18.9	30.2	(8.1)	(6.8)
Automation and Control Technology	10.0	8.5	23.8	(2.3)	7.7
Machinery	39.4	23.1	23.1	10.6	18.4
Corporate overhead and other	(0,6)	(3.5)	(1.3)	(9.6)	(8.5)
Valmet-Rauma total	80,4	47.0	75.8	(9.4)	10.8

ORDERS RECEIVED BY BUSINESS AREA

(Millions)	4-6/98 EUR	7-9/98 EUR	10-12/98 EUR	1-3/99 EUR	4-6/99 EUR
Fiber and Paper Technology	474	468	420	378	489
Automation and Control Technology	155	140	149	157	137
Machinery	319	264	258	300	279
Intra-group orders received	(18)	(18)	(17)	(21)	(14)
Valmet-Rauma total	930	854	810	814	891

Formulas for calculating key figures:

Earnings/share:

$$\frac{\text{Profit before extraordinary items and income taxes - taxes +/- minority interests}}{\text{Average number of shares during period}}$$

Return on equity (ROE), %:

$$\frac{\text{(Profit before extraordinary items and income taxes - taxes)}}{\text{Shareholder's equity + minority interests (average for period)}} \times 100$$

Equity/share:

$$\frac{\text{Shareholder's equity}}{\text{Number of shares at end of period}}$$

Equity to assets, %:

$$\frac{\text{(Shareholder's equity + minority interests)}}{\text{Balance sheet total – advances received}} \times 100$$

Return on capital employed (ROCE), %:

$$\frac{\text{(Profit before extraordinary items and income taxes + interest and other financial expenses)}}{\text{Balance sheet total – non-interest bearing liabilities (average for period)}} \times 100$$

Gearing, %:

$$\frac{\text{Net interest bearing liabilities}}{\text{Shareholder's equity + minority interests}} \times 100$$